UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY

FINANCIAL REPORT

JUNE 30, 2024

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Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Directors
Upper Explorerland Regional Housing Authority
Decorah, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the statements of net position, and the related statements of revenues, expenses and changes in net position and cash flows of Upper Explorerland Regional Housing Authority, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Upper Explorerland Regional Housing Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Explorerland Regional Housing Authority, as of June 30, 2024 and 2023, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Explorerland Regional Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**
- **Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.**
- **Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Upper Explorerland Regional Housing Authority's internal control. Accordingly, no such opinion is expressed.**
- **Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.**
- **Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Housing Authority's ability to continue as a going concern for a reasonable period of time.**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4c be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Explorerland Regional Housing Authority's basic financial statements. The supplementary information included in Schedules 1 and 2, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information presented in Schedules 1 and 2, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The U.S. Department of Housing and Urban Development information in Schedule 4 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, on our consideration of Upper Explorerland Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Upper Explorerland Regional Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Explorerland Regional Housing Authority's internal control over financial reporting and compliance.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
October 23, 2024

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2024

The management of Upper Explorerland Regional Housing Authority (Housing Authority) offers readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2024. Please read this information in conjunction with the full audited financial statements and additional information that follows this narrative.

OVERVIEW OF UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY

The Housing Authority was created pursuant to Iowa Code Chapter 28E for the purpose of providing safe and affordable housing to very low-income families in the Northeast Iowa counties of Allamakee, Clayton, Fayette, Howard, and Winneshiek. The Housing Authority receives funding from the U.S. Department of Housing and Urban Development's Housing Choice Voucher Program (HCV) to assist low-income families and individuals by subsidizing the rent on existing, privately owned rental property. The housing assistance is paid directly to landlords on behalf of the families who are on the program. The families then pay the difference between the market rental rate charged by the landlord and the housing assistance payment provided by the program. The Housing Authority is paid by HUD to administer the program. The Housing Authority's operations are funded almost entirely through administrative fees received from HUD. The Housing Authority enters into an Annual Contributions Contract (ACC) each year with the U.S. Department of Housing and Urban Development to serve up to 498 families in the designated counties.

2024 FINANCIAL HIGHLIGHTS

- **The Housing Authority's net position decreased by $35,171. This was due to an increase in computer subscriptions and administrative salaries.**
- **Total revenue for the fiscal year was $2,086,964, a decrease of $20,522 or negative .97% from last year. This was directly related to Section 8 Housing funds.**
- **Total expenses for the fiscal year were $2,122,135, an increase of $27,200 or positive 1.30% from last year. This was due to an increase in computer subscriptions and administrative salaries.**
- **The Housing Authority's net loss from operating activities for the fiscal year was $35,449.**

USING THE BASIC FINANCIAL STATEMENTS

The financial statements included in this report are those required for a major federal program. Among the statements included are:

Statements of net position which identifies current resources and liabilities. Assets are identified as both restricted and unrestricted. Restricted net position has constraints placed on them either externally by grantors, contributors, or laws and regulations of government.

Statements of revenues, expenses and changes in net position, which identifies operating revenues and expenses. Those revenues that are restricted are identified as such in the report.

Statements of cash flows, which identifies cash from operating and investment activities.

USING THE BASIC FINANCIAL STATEMENTS (Continued)

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary information provides detailed information about the revenues, expenses and changes in net position-budget to actual. The schedule of expenditures of federal awards provides details of the federal program benefiting the Housing Authority. The HUD supplementary data provides information as required by HUD.

FINANCIAL ANALYSIS

Below is a summarized statement of revenues and expenses and changes in net position for the years ended June 30, 2024 and 2023:

	Changes in Net Position	
	2024	2023
REVENUES		
HUD	$ 2,082,076	$ 2,101,166
Fraud recovery	4,560	6,038
Miscellaneous	50	50
Total operating revenues	2,086,686	2,107,254
OPERATING EXPENSES		
Administrative salaries	167,388	146,937
Auditing fees	19,364	28,126
Employee benefit contributions - administrative	87,130	71,248
Other operating - administrative	52,189	61,615
Utilities	2,693	7,127
Ordinary maintenance and operations	8,444	10,860
Insurance	16,619	18,205
Housing assistance payments	1,729,569	1,732,356
Other general expenses	38,739	18,461
Total operating expenses	2,122,135	2,094,935
Operating (loss) income	(35,449)	12,319
NONOPERATING REVENUES		
Interest	278	232
Change in net position	(35,171)	12,551
NET POSITION, beginning of year	122,657	110,106
NET POSITION, end of year	$ 87,486	$ 122,657

FINANCIAL ANALYSIS (Continued)

As noted earlier, net position may serve over time as a useful indicator of financial position. The Housing Authority's net position at the end of the fiscal year 2024 totaled $87,486. This compares to $122,657 at the end of fiscal year 2023. A summary of the Housing Authority's net position is presented below:

	Net Position	
	2024	2023
Current and other assets	$ 125,630	$ 173,823
Current liabilities	38,144	51,166
Net position:		
Unrestricted	78,690	114,045
Restricted	8,796	8,612
Total net position	$ 87,486	$ 122,657

ECONOMIC FACTORS BEARING ON THE HOUSING AUTHORITY'S FUTURE

The term "affordable housing" is explained as housing which the occupant is paying no more than 30% of gross income for housing costs, including utilities. Keeping housing costs below 30% of income is intended to ensure that households have enough money to pay for other nondiscretionary costs; therefore, policymakers consider households who spend more than 30% of income on housing costs to be housing cost burdened. In reality, the definition of affordable housing is nebulous, with different programs and stakeholders often adopting their own slightly different definitions of what is considered "affordable housing."

Tenant-based rental assistance or vouchers are intended to increase affordable housing choices for eligible low-income tenants. The most commonly known federal tenant-based voucher program is the Housing Choice Voucher (or Section 8 Voucher Program), used by more than 5 million in 2.2 million low-income households. Those awarded vouchers can use them to help pay for housing costs in the private rental market, so recipients can choose where they want to live. At the local level, vouchers are administered by public housing agencies, such as Housing Authority.

Eligibility criteria for the Housing Choice Voucher is determined by income level. Very low-income families (income at or below 50% of area median income) and a few specific categories of families with incomes up to 80% of area median income are eligible to apply. However, due to limited funding, seven out of ten low-income households still pay more than 30% of their income for housing and do not receive a voucher or other federal assistance.

During the review of these financial statements, the Housing Authority was aware of several key economic factors that are impacting on our clients and the Housing Authority's future funding levels.

- **Housing Costs: The cost of housing, for both homeowners and renters, is less affordable today than at any time in more than one hundred years – and it is on a steady path to get worse unless we act immediately. Affordable rental housing and entry level homeownership is out of reach for millions of working Americans. Then you add on the rise in the costs of many necessities, it makes it difficult for families to attain economic security. Although aggregate price indices track overall changes in the cost of living, some families spend a larger share of their budgets on necessities, depending on their income and needs. As a result, these families are more exposed to cost increases for necessities than others. This is especially true for those in the bottom and middle of the income distribution for whom incomes have risen more slowly than for those at the top.**

ECONOMIC FACTORS BEARING ON THE HOUSING AUTHORITY'S FUTURE (Continued)

During the review of these financial statements, the Housing Authority was aware of several key economic factors that are impacting on our clients and the Housing Authority's future funding levels (continued)

- **Portability: With the Housing Authority's proximity to major cities where residents have more accessibility to religious and economic needs, portability continues to be an issue for the Housing Authority's finances. With high cost of housing assistance payments to areas outside of the Northeast Iowa jurisdiction, those costs are three times the rental rates as rates within the region. Therefore, serving three less families in our region for each porting family.**

These economic factors are not only regional, but nationally. These economic factors not only affect our residents but also the Housing Authority's financial health. Staff will continue to adjust payment standards and advocate for their residents.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Upper Explorerland Regional Housing Authority's finances and to demonstrate the Housing Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Housing Authority's Office, 325 Washington Street, Suite A, Decorah, Iowa 52101.

EXHIBIT A

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash - unrestricted	$ 114,975	$ 142,192
Cash - restricted	8,796	8,612
Accounts receivable		19,392
Accounts receivable - fraud recovery	1,859	3,627
Total current assets	125,630	173,823
Total assets	$ 125,630	$ 173,823

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	$ 29,347	$ 51,166
Deferred revenue	8,797	
Total current liabilities	38,144	51,166
NET POSITION		
Unrestricted net position	78,690	114,045
Restricted net position	8,796	8,612
Total net position	87,486	122,657
Total liabilities and net position	$ 125,630	$ 173,823

See Notes to Financial Statements.

EXHIBIT B

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2024 and 2023

	2024	2023
REVENUES		
HUD	$ 2,082,076	$ 2,101,166
Fraud recovery	4,560	6,038
Other income	50	50
Total operating revenues	2,086,686	2,107,254
OPERATING EXPENSES		
Administrative salaries	167,388	146,937
Auditing fees	19,364	28,126
Employee benefit contributions - administrative	87,130	71,248
Other operating - administrative	52,189	61,615
Utilities	2,693	7,127
Ordinary maintenance and operations	8,444	10,860
Insurance	16,619	18,205
Housing assistance payments	1,729,569	1,732,356
Computer support	11,184	5,931
Membership dues	25,199	9,315
Other general expenses	2,356	3,215
Total operating expenses	2,122,135	2,094,935
Operating (loss) income	(35,449)	12,319
NONOPERATING REVENUES		
Interest	278	232
Change in net position	(35,171)	12,551
NET POSITION, beginning of year	122,657	110,106
NET POSITION, end of year	$ 87,486	$ 122,657

See Notes to Financial Statements.

EXHIBIT C

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from HUD	$ 2,082,076	$ 2,097,416
Cash paid to/for:		
Housing assistance payments	(1,731,925)	(1,735,571)
Administrative expenses	(390,210)	(359,364)
Other	12,748	29,270
Net cash (used in) provided by operating activities	(27,311)	31,751
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	278	232
Net (decrease) increase in cash	(27,033)	31,983
CASH, beginning of year	150,804	118,821
CASH, end of year	$ 123,771	$ 150,804
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss) income	$ (35,449)	$ 12,319
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:		
Changes in:		
Accounts receivable	21,160	(14,422)
Prepaid expenses		6,634
Accounts payable	(21,819)	27,220
Deferred revenue	8,797	
Total adjustments	8,138	19,432
Net cash (used in) provided by operating activities	$ (27,311)	$ 31,751

See Notes to Financial Statements.

1. Administration and Significant Accounting Policies

Background

Upper Explorerland Regional Housing Authority (hereinafter "Housing Authority") was organized pursuant to Chapter 28E of the Code of Iowa, to perform the duties outlined in Chapter 403A. The Housing Authority is an agent for landlords who rent housing facilities to very low-income individuals with assistance from the federal government. The Housing Authority operates in Allamakee, Clayton, Fayette, Howard, and Winneshiek counties of Iowa.

a. Basis of Accounting

The proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned. Expenses are recorded when the related fund liability is incurred.

b. Basis of Presentation

The accounts of the Housing Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Housing Authority has the following fund:

Proprietary Fund – the proprietary fund is used to account for operations that (a) is financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Housing Authority is operating grants. Operating expenses for the Housing Authority include administrative fees, costs to operate its office and housing assistance payments (HAP). All revenues and expenses not meeting the aforementioned definition are reported as nonoperating revenues and expenses.

The statements of net position present the Housing Authority's assets and liabilities with the difference reported as net position. Net position is reported in the following two categories:

1) **Restricted net position consists of net position with constraints placed on the use either externally imposed or imposed by laws, grants or contracts.**

2) **Unrestricted net position consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.**

1. Administration and Significant Accounting Policies (Continued)

c. Cash, Investments and Cash Equivalents

The Housing Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Housing Authority's deposits in banks at June 30, 2024 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

As of June 30, 2024, the Housing Authority has restricted cash of $8,796 which is from restricted HAP.

d. Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Concentration of Revenues

The Housing Authority receives approximately 99% of its total operating revenues from the federal government. This revenue is subject to federal government budget appropriations and potential funding reductions. A significant reduction in the level of this support would have a significant effect on the Housing Authority's programs and activities.

f. Investments Authorized by the Housing Authority's Investment Policy

The Housing Authority is required to invest its funds in accordance with Iowa statutes and HUD guidelines. The Housing Authority does not have an investment policy with any specific provisions intended to limit their exposure to investment rate risk, credit risk and concentration of credit risk.

g. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates and will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Housing Authority had no investments at June 30, 2024 and 2023.

h. Concentration of Credit Risk

Financial instruments that potentially subject the Housing Authority to significant concentrations of credit risk consist principally of accounts receivable. Receivables are primarily from the government and fraud recovery. These receivables are uncollateralized.

i. Subsequent Events

Management has evaluated subsequent events through October 23, 2024, the date on which the financial statements were available to be issued.

2. Nature of Operations

The Housing Authority operates under Section 8 of the U.S. Housing Act of 1937. Section 8 Voucher Program Assistance is a rental assistance program to help very low-income families afford decent, safe and sanitary rental housing. The Housing Authority, known as a Public Housing Agency or PHA, accepts applications for rental assistance, selects the applicant for admission and issues the selected family a rental voucher confirming the family's eligibility for assistance. The family must find a suitable dwelling unit. The Housing Authority pays the landlord a portion of the rent, known as a Housing Assistance Payment or HAP, on behalf of the family. The Housing Authority enters into an Annual Contributions Contract, or ACC with HUD, which provides funds to administer the program.

3. Accounts Receivable

All accounts receivables are shown at gross amounts and is reported as follows:

1. **Fraud recovery represents the amount of agreements, net of payments already made, signed by tenants promising to pay back monies to the Housing Authority.**

2. **HUD represents amounts due from HUD for services provided by the Housing Authority.**

4. Fraud Recovery

Fraud recovery income shown on the statements of revenues, expenses and changes in net position for the years ended June 30, 2024 and 2023 were determined as follows:

	2024	2023
Housing Authority's share - 50%	$ 2,280	$ 3,019
HUD's share - 50%	2,280	3,019
Total	$ 4,560	$ 6,038

Accounts receivable - fraud recovery shown on the statements of net position as of June 30, 2024 and 2023 were determined as follows:

	2024	2023
Housing Authority's share - 50%	$ 929	$ 1,813
HUD's share - 50%	930	1,814
Total	$ 1,859	$ 3,627

5. Pension and Retirement Benefits

The Housing Authority reimburses Upper Explorerland Regional Planning Commission for the salaries and benefits paid for its employees.

6. Risk Management

The Housing Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance.

7. Unrestricted and Restricted Position

The Housing Authority had $78,690 and $114,045 in unrestricted net position as of June 30, 2024 and 2023, respectively. Unrestricted position consisted of the following:

	2024	2023
Unrestricted net position - administrative:		
Beginning balance	$ 114,045	$ 103,746
Change in net position	(35,355)	10,299
Total unrestricted net position - administrative	$ 78,690	$ 114,045

The Housing Authority had $8,796 and $8,612 in restricted net position as of June 30, 2024 and 2023, respectively. Per HUD regulations, the restricted net position may be expended for the housing assistance payment program only. Restricted net position consisted of the following:

	2024	2023
Restricted net position - HAP:		
Beginning balance	$ 8,612	$ 6,360
Change in net position	184	2,252
Total restricted position - HAP	8,796	8,612
Unrestricted net position	78,690	114,045
Total net position	$ 87,486	$ 122,657

8. Related Party

Tenants of the UERPC Housing, Inc. receive rental assistance from Upper Explorerland Regional Housing Authority. Total expenses paid to the UERPC Housing, Inc. during the years ended June 30, 2024 and 2023 were $23,039 and $22,497, respectively.

Supplementary Information

SCHEDULE 1

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
For the Year Ended June 30, 2024

	Actual	Original Budget	Revised Budget	Variance Favorable (Unfavorable)
REVENUES				
Commission:				
HUD	$ 2,082,076	$ 2,280,174	$ 2,280,174	$ (198,098)
Interest - unrestricted	278	234	234	44
Fraud recovery	4,560	3,074	3,074	1,486
Other income	50			50
Total revenues	2,086,964	2,283,482	2,283,482	(196,518)
EXPENSES				
Administrative salaries	167,388	170,000	170,000	2,612
Auditing fees	19,364	29,000	20,750	1,386
Employee benefit contributions - administrative	87,130	74,000	75,000	(12,130)
Other operating - administrative	52,189	38,800	51,050	(1,139)
Utilities	2,693	7,300	4,600	1,907
Ordinary maintenance and operations	8,444	13,150	6,500	(1,944)
Insurance	16,619	18,500	18,500	1,881
Housing assistance payments	1,729,569	1,930,422	1,930,422	200,853
Other	38,739	37,000	41,350	2,611
Total expenses	2,122,135	2,318,172	2,318,172	196,037
Net loss	(35,171)	(34,690)	(34,690)	(481)
FUND BALANCE, beginning of year	122,657	122,657	122,657	-
FUND BALANCE, end of year	$ 87,486	$ 87,967	$ 87,967	$ (481)

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Part I: Summary of the Independent Auditor's Results:

1. **The auditor's report expresses unmodified opinions on whether the financial statements of Upper Explorerland Regional Housing Authority were prepared in accordance with U.S. generally accepted accounting principles.**

2. **No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses are reported.**

3. **No instances of noncompliance material to the financial statements of Upper Explorerland Regional Housing Authority, which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.**

4. **No significant deficiencies in internal control over the major federal award program were disclosed by the audit of the financial statements. No material weaknesses are reported.**

5. **The auditor's report on compliance for the major federal award program for Upper Explorerland Regional Housing Authority expresses an unmodified opinion on the major federal program.**

6. **The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).**

7. **The program tested as a major program was as follows:**
   - **Federal Assistance Listing Number 14.871 Section 8 Housing Choice Vouchers**

8. **The threshold used for distinguishing between Type A and B programs was $750,000.**

9. **Upper Explorerland Regional Housing Authority did qualify as a low-risk auditee.**

Part II: Findings Related to the Financial Statements:

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

Part III: Findings and Questioned Costs for the Major Federal Award:

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

No matters were noted.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2024

Comment Reference	Comment Title	Status	If Not Corrected, Provide Planned Corrective Action or Other Explanation
2023-001 2022-001	Missing documentation	Corrected	

See Independent Auditor's Report.

SCHEDULE 3

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Period of Grant	Expenditures
Direct:			
U.S. Department of Housing and Urban Development:			
Section 8 Housing Choice Vouchers	**14.871**	**July 1, 2023 - June 30, 2024**	**$ 2,082,076**
			$ 2,082,076

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2024

Basis of Presentation

- **The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Upper Explorerland Regional Housing Authority under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Upper Explorerland Regional Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of Upper Explorerland Regional Housing Authority.**

Summary of Significant Accounting Policies

- **Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.**

- **Pass-through entity identifying numbers are presented where available.**

Indirect Cost Rate

- **Upper Explorerland Regional Housing Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.**

Subrecipients

- **There were no awards passed through to subrecipients.**

See Independent Auditor's Report.

SCHEDULE 4

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SUPPLEMENTARY DATA REQUIRED BY HUD
For the Year Ended June 30, 2024

Statement of Financial Position Data

Account Number	Assets	2024
111	Cash - unrestricted	$ 114,975
113	Cash - other restricted	8,796
100	Total cash	123,771
128	Fraud recovery	1,859
120	Total receivables, net of allowances for doubtful accounts	1,859
150	Total current assets	125,630
290	Total assets and deferred outflows of resources	$ 125,630
	Liabilities and Net Position	
312	Accounts payable <= 90 days	$ 29,347
342	Unearned revenue	8,797
310	Total current liabilities	38,144
300	Total liabilities	38,144
511.4	Restricted net position	8,796
512.4	Unrestricted net position	78,690
513	Total net position	87,486
600	Total liabilities, deferred inflows of resources and equity	$ 125,630

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
SUPPLEMENTARY DATA REQUIRED BY HUD
For the Year Ended June 30, 2024

Statement of Activities Data

Account Number	Revenues	2024
70600	HUD PHA operating grants	$ 2,082,076
71100	Investment income - unrestricted	278
71400	Fraud recovery	4,560
71500	Other revenue	50
70000	Total revenue	2,086,964
	Expenses and Equity	
91100	Administrative salaries	167,388
91200	Auditing fees	19,364
91500	Employee benefit contributions	87,130
91600	Office expenses	61,444
91700	Legal expense	830
91800	Travel	2,592
91900	Other	26,399
91000	Total operating - administrative	365,147
94300	Ordinary maintenance and operations contracts	8,444
94000	Total maintenance	8,444
96110	Property insurance	16,619
96100	Total insurance premiums	16,619
96200	Other general expenses	2,356
96000	Total general expenses	2,356
96900	Total operating expenses	392,566
97000	Excess of operating revenue over operating expenses	1,694,398
97300	Housing assistance payments	1,729,569
90000	Total expenses	2,122,135
10000	Excess (deficiency) of total revenue over (under) total	(35,171)
11030	Beginning equity	122,657
11170	Administrative fee equity	78,690
11180	Housing assistance payments equity	$ 8,796

See Independent Auditor's Report.

Hacker Nelson & Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Upper Explorerland Regional Housing Authority
Decorah, Iowa

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the statement of net position, and the related statements of revenues, expenses and changes in net position and cash flows of Upper Explorerland Regional Housing Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Upper Explorerland Regional Housing Authority's basic financial statements, and have issued our report thereon dated October 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Explorerland Regional Housing Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Explorerland Regional Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
October 23, 2024

Hacker Nelson
& Co., CPAs

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Upper Explorerland Regional Housing Authority
Decorah, Iowa

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Upper Explorerland Regional Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Upper Explorerland Regional Housing Authority's major federal program for the year ended June 30, 2024. The Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Explorerland Regional Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Explorerland Regional Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Upper Explorerland Regional Housing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Upper Explorerland Regional Housing Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Explorerland Regional Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Upper Explorerland Regional Housing Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- **Exercise professional judgment and maintain professional skepticism throughout the audit.**
- **Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Upper Explorerland Regional Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.**
- **Obtain an understanding of Upper Explorerland Regional Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hacker, Nelson + Co., CPAs

Decorah, Iowa
October 23, 2024